

Ann M. Menke

Certified Public Accountant
A Professional Corporation

SOUTH IOWA AREA DETENTION SERVICE AGENCY

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT AND
OTHER INFORMATION
SCHEDULE OF FINDINGS**

June 30, 2012

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SOUTH IOWA AREA DETENTION SERVICE AGENCY

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Steve McCoy	Executive Director	
Richard Reed	Chairman	Jefferson County
Willie Van Weelden	Vice Chairman	Mahaska County
Jerry Parker	Secretary/Treasurer	Wapello County
Dan Cahill	Member	Des Moines County
Ron Bride	Member	Davis County
Larry Kruse	Member	Lee County
Chris Ball	Member	Louisa County

SOUTH IOWA AREA DETENTION SERVICE AGENCY

Ann M. Menke

Certified Public Accountant
A Professional Corporation

Independent Auditor's Report

To the Board of Directors of the
South Iowa Area Detention Service Agency
Fairfield, Iowa

I have audited the accompanying financial statement of the South Iowa Area Detention Service Agency as of and for the year ended June 30, 2012. This financial statement is the responsibility of the South Iowa Area Detention Service Agency's management. My responsibility is to express an opinion on the financial statement based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

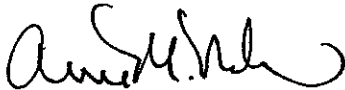
As described in Note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the South Iowa Area Detention Service Agency as of June 30, 2012, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated January 28, 2013 on my consideration of the South Iowa Area Detention Service Agency's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

My audit was conducted for the purpose of forming an opinion on the South Iowa Area Detention Service Agency's basic financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 8 through 11 and page 20 are presented for purposes of additional analysis and are not a required part of the financial statement. The information has not been subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, I do not express an opinion or provide any assurance on it.

Sincerely,

A handwritten signature in black ink, appearing to read "Ann M. Menke", with a stylized flourish at the end.

Ann M. Menke
Certified Public Accountant
Professional Corporation
January 28, 2013

SOUTH IOWA AREA DETENTION SERVICE AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The South Iowa Area Detention Service Agency provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities is for the year ended June 30, 2012. We encourage readers to consider this information in conjunction with the South Iowa Area Detention Service Agency's financial statement, which follows.

2012 FINANCIAL HIGHLIGHTS

- Operating receipts increased 1.91%, or approximately \$17,154, from fiscal year 2011 to fiscal year 2012.
- Operating disbursements decreased 12.84%, or approximately \$118,341, from fiscal year 2011 to fiscal year 2012.
- Cash basis net assets increased approximately \$110,931, or 19.09%, from June 30, 2011 to June 30, 2012.

USING THIS ANNUAL REPORT

The Agency has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the cash basis of accounting, revenue and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the financial statement. The annual report consists of the financial statement and other information, as follows:

Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Agency's financial activities.

The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the Agency's operating receipts and disbursements, non-operating receipts and disbursements and whether the Agency's cash basis financial position has improved or deteriorated as a result of the year's activities.

Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets

The purpose of the statement is to present the receipts received by the Agency and the disbursements paid by the Agency, both operating and non-operating. The statement also presents a fiscal snapshot of the cash balance at year end. Over time, readers of the financial statement are able to determine the Agency's cash basis financial position by analyzing the increase and decrease in cash basis net assets.

Operating receipts are received for detention care fees from the members and nonmembers of the Agency and transport fees, lunch reimbursement, and DHS reimbursement. Operating disbursements are disbursements paid to operate the Agency. Non-operating receipts and disbursements are for interest on investments, equipment purchases, and capital purchases. A summary of cash receipts, disbursements, and changes in cash basis net assets for the years ended June 30, 2012 and June 30, 2011 is as follows:

	Year ended June 30,	
	2012	2011
Operating receipts:		
Detention care fees	\$ 525,655	\$ 494,464
Transport fees	17,821	33,947
DHS reimbursement	315,257	343,116
Lunch reimbursement	14,618	13,397
Other reimbursements	40,379	11,652
Total operating receipts	913,730	896,576
Operating disbursements:		
Salaries	452,061	535,651
Payroll taxes and benefits	161,826	187,453
Advertising	199	348
Dues and subscriptions	864	809
First aid and pharmacy	11,995	13,502
Food contract	21,621	21,506
Insurance	36,155	40,410
Juvenile clothing, linens, and other supplies	3,066	2,521
Office expense	2,566	1,980
Physician	8,565	8,635
Professional fees	35,687	34,092
Repairs and maintenance	25,985	17,916
Telephone	5,300	5,321
Training	379	700
Transport expenses	19,532	28,250
Trash removal	756	756
Travel	1,520	3,927
Utilities	14,844	17,485

Total disbursements	<u>802,921</u>	<u>921,262</u>
Excess of operating receipts Over operating disbursements	<u>110,809</u>	<u>-24,686</u>
Non-operating receipts (disbursements):		
Interest income	<u>122</u>	<u>434</u>
Net non-operating receipts/(disbursements)	<u>122</u>	<u>434</u>
Net change in cash basis net assets	110,931	(24,252)
Cash basis net assets beginning of year	<u>581,079</u>	<u>605,331</u>
Cash basis net assets end of year	<u>\$ 692,010</u>	<u>\$ 581,079</u>
Cash Basis Net Assets		
Unrestricted	<u>\$ 692,010</u>	<u>\$ 581,079</u>

In fiscal year 2012, operating receipts increased \$17,154 or 1.91%, over fiscal year 2011. The increase was primarily a result of a capital refund from ICAP. In fiscal year 2012, operating disbursements decreased \$118,341, or 12.84%, over fiscal year 2011. The decrease was primarily due to lower salaries, payroll taxes, benefits and transport expenses as a result of less facility usage. Many other general operating expenses were down for this same reason.

The Agency's net assets increased approximately \$110,931, or 19.09%, during the year.

LONG-TERM DEBT

At June 30, 2012, the Agency had no long term debt outstanding.

ECONOMIC FACTORS

A review of the fiscal year budget for the Agency showed actual operating income was higher than expectations by \$169,952, with operating expenditures being less than projected and operating receipts being more than projected.

The current financial status of the organization indicates financial assets total approximately \$692,010.

The State Detention Reimbursement Fund remitted \$315,257, which covered approximately 39.26% of our operating expenses for fiscal year 2012.

The fiscal year ended with 3,120 billing days, up approximately 220 days from fiscal year 2011. Overall for the year, capacity at the Lee facility was approximately 40% and average daily population was 8.4.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Agency's finances and to show its accountability for the money it receives. If you have questions about this report or need additional financial information, contact Steve McCoy, Executive Director, South Iowa Area Detention Service Agency, 212 Glasgow Road, Fairfield, Iowa, 52556.

FINANCIAL STATEMENT

**SOUTH IOWA AREA DETENTION SERVICE AGENCY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BASIS NET ASSETS
As of and For the Year Ended June 30, 2012**

Operating receipts:	
Detention care fees	\$ 525,655
Transport fees	17,821
DHS reimbursement	315,257
Lunch program reimbursement	14,618
Other reimbursements	40,379
	<hr/>
Total operating receipts	913,730
Operating disbursements:	
Salaries	452,061
Payroll taxes and employee benefits	161,826
Advertising	199
Dues and subscriptions	864
First aid and pharmacy	11,995
Food contract	21,621
Insurance	36,155
Juvenile clothing, linens, and other supplies	3,066
Office expense	2,566
Physician	8,565
Professional fees	35,687
Repairs and maintenance	25,985
Telephone	5,300
Training	379
Transports	19,532
Trash removal	756
Travel	1,520
Utilities	14,844
	<hr/>
Total operating disbursements	802,921
Excess of operating receipts over operating disbursements	<hr/> 110,809
Non-operating receipts	
Interest income	122
	<hr/>
Net non-operating receipts	122
Net change in cash basis net assets	<hr/> 110,931
Cash basis net assets beginning of year	<hr/> 581,079
Cash basis net assets end of year	<hr/> \$ 692,010
Cash Basis Net Assets	
Unrestricted	<hr/> \$ 692,010

See notes to financial statement.

**SOUTH IOWA AREA DETENTION SERVICE AGENCY
NOTES TO FINANCIAL STATEMENT
For the Year Ended June 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The South Iowa Area Detention Service Agency was formed in 1991 by ten Southern Iowa member counties, seven of whom remain members of the Agency, pursuant to the provisions of Chapter 28E of the Code of Iowa. The Agency operates a juvenile detention facility located in Montrose, Iowa. The Agency is governed by a Board comprised of one representative from each of the following member counties: Davis, Des Moines, Jefferson, Lee, Louisa, Mahaska, and Wapello.

A. Reporting Entity

For financial reporting purposes, the South Iowa Area Detention Service Agency has included all funds, organizations, agencies, boards, commissions, and authorities. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency. The South Iowa Area Detention Service Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Agency are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

C. Basis of Accounting

The Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Agency is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statement does not present the financial position and results of operations of the Agency in accordance with accounting principles generally accepted in the United States of America.

**SOUTH IOWA AREA DETENTION SERVICE AGENCY
NOTES TO FINANCIAL STATEMENT
For the Year Ended June 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets and Budgetary Accounting

The budgetary comparison is reported as Other Information.

NOTE 2 – CASH AND INVESTMENTS

The Agency's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposits or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency had deposits in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$640,987 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Agency.

Credit risk – The Agency's investment in the Iowa Public Agency Investment Trust is unrated.

SOUTH IOWA AREA DETENTION SERVICE AGENCY
NOTES TO FINANCIAL STATEMENT
For the Year Ended June 30, 2012

NOTE 3 – PENSION AND RETIREMENT BENEFITS

The Agency contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual salary and the Agency is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The Agency's contribution requirements are established by State statute. The Agency's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$36,387, \$37,070, and \$39,052, respectively, equal to the required contribution for each year.

NOTE 4 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The Agency operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 11 active members in the plan. Retired participants must be age 55 or older at retirement. Retirees who choose to remain on the plan are required to pay the full cost of the premium to the Agency each month. The Agency then remits those premiums to Wellmark.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the Agency. The Agency currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Agency and plan members are \$631 for single coverage and \$1,577 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the Agency contributed \$84,915 and plan members eligible for benefits contributed \$845 to the plan. The Agency has no retirees participating in the plan as of June 30, 2012.

NOTE 5 – COMPENSATED ABSENCES

Agency employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the Agency until used or paid. The Agency's approximate liability for earned vacation and sick leave payable to employees at June 30, 2012 and 2011, was \$23,254 and \$98,936, respectively. This liability has been computed based on rates of pay in effect on June 30, 2012.

SOUTH IOWA AREA DETENTION SERVICE AGENCY
NOTES TO FINANCIAL STATEMENT
For the Year Ended June 30, 2012

NOTE 6 – RISK MANAGEMENT

The Agency is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Agency's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Agency's annual contributions to the Pool for the year ended June 30, 2012 were \$22,003.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

SOUTH IOWA AREA DETENTION SERVICE AGENCY
NOTES TO FINANCIAL STATEMENT
For the Year Ended June 30, 2012

NOTE 6 – RISK MANAGEMENT (CONTINUED)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Agency also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation. The Agency assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 28, 2013, the date which the financial statements were available for issue.

NOTE 8 – LITIGATION

The Agency is currently the defendant in a lawsuit brought by a former Agency member. The member withdrew from the Agency and wants to receive one eighth of the value of the agency as payment upon withdrawal. The withdrawing member's attorney calculated the claim at approximately \$101,000. The Agency's insurance carrier (ICAP) has hired an attorney to defend the Agency in the case. The Agency has a \$10,000 deductible that it would be responsible for if the lawsuit is lost. The judge ruled in the Agency's favor, but it is expected that the withdrawing member will appeal.

OTHER INFORMATION

SOUTH IOWA AREA DETENTION SERVICE AGENCY
SCHEDULE 1 - COMPARISON OF RECEIPTS AND DISBURSEMENTS

ACTUAL TO BUDGET

For the Year Ended June 30, 2012

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Operating receipts:			
Detention Care fees	\$ 525,655	\$ 540,000	\$ (14,345)
Transport fees	17,821	43,200	(25,379)
DHS reimbursement	315,257	275,000	40,257
Lunch program reimbursement	14,618	12,000	2,618
Other reimbursements	40,379	8,500	31,879
Total operating receipts	<u>913,730</u>	<u>878,700</u>	<u>35,030</u>
Operating disbursements:			
Salaries	452,061	512,951	60,890
Payroll taxes and employee benefits	161,826	196,352	34,526
Advertising	199	100	(99)
Dues and subscriptions	864	1,000	136
First aid and pharmacy	11,995	11,500	(495)
Food contract	21,621	30,000	8,379
Insurance	36,155	45,000	8,845
Juvenile clothing, linens, and other supplies	3,066	5,250	2,184
Office expense	2,566	3,400	834
Physician	8,565	9,300	735
Professional fees	35,687	34,690	(997)
Repairs and maintenance	25,985	16,100	(9,885)
Telephone	5,300	6,000	700
Training	379	3,000	2,621
Transports	19,532	43,200	23,668
Trash removal	756	1,500	744
Travel	1,520	3,500	1,980
Utilities	14,844	15,000	156
Total operating disbursements	<u>802,921</u>	<u>937,843</u>	<u>134,922</u>
Excess of operating receipts over operating disbursements	<u>110,809</u>	<u>(59,143)</u>	<u>169,952</u>
Non-operating receipts (disbursements):			
Interest income	<u>122</u>	<u>600</u>	<u>(478)</u>
Net non-operating disbursements	<u>122</u>	<u>600</u>	<u>(478)</u>
Excess/(deficiency) of receipts over disbursements	<u>\$ 110,931</u>	<u>\$ (58,543)</u>	<u>\$ 169,474</u>

See accompanying notes.

SOUTH IOWA AREA DETENTION SERVICE AGENCY

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF A FINANCIAL STATEMENT PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Ann M. Menke

Certified Public Accountant
A Professional Corporation

Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of a Financial Statement Performed in
Accordance with Government Auditing Standards

To the Board of Directors of the
South Iowa Area Detention Service Agency
Fairfield, Iowa

I have audited the accompanying financial statement of the South Iowa Area Detention Service Agency as of and for the year ended June 30, 2012, and have issued my report thereon dated January 28, 2013. My report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of the South Iowa Area Detention Service Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the South Iowa Area Detention Service Agency's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of South Iowa Area Detention Service Agency's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the South Iowa Area Detention Service Agency's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting that I consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of South Iowa Area Detention Service Agency's financial statement will not be prevented or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying Schedule of Findings as item 2012-I-A to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Iowa Area Detention Service Agency's financial statement is free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters are described in the accompanying Schedule of Findings.

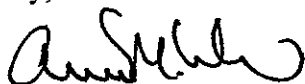
Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statement of the Agency. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The South Iowa Area Detention Service Agency's written responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the Agency's responses, I did not audit the Agency's responses, and accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the members and customers of the South Iowa Area Detention Service Agency and other parties to whom the Agency may report and is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the South Iowa Area Detention Service Agency during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Sincerely,



Ann M. Menke
Certified Public Accountant
January 28, 2013

**SOUTH IOWA AREA DETENTION SERVICE AGENCY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2012**

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2012-I-A:

Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted the same individual who prepares the bank deposits may also prepare billings, maintain cash receipts and accounts receivable records, prepare checks, and record disbursements in the accounting records.

Recommendation – I realize that with a limited number of office employees, segregation of duties is difficult. However, the Agency should continue to review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – Due to the limited number of office employees, segregation of duties is difficult. However, we will continue to have the manager and other staff, where appropriate, review receipts, invoices and bill payments, and payroll as much as possible.

Conclusion – Response accepted.

Part II: Other Findings Related to Statutory Reporting:

2012-II-A

Questionable Disbursements – No disbursements I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

2012-II-B

Travel Expense – No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.

2012-II-C

Agency Meetings – No transactions were found that I believe should have been approved in the Agency minutes but were not.

2012-II-D

Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Agency's investment policy were noted.

SOUTH IOWA AREA DETENTION SERVICE AGENCY

Audit Staff

The audit was performed by:

Ann M. Menke, CPA

Carol Ross, CPA

Toni Ramsey, Staff Auditor

News Release

For Release:

Ann M. Menke, CPA, PC, of West Point, Iowa, today released an audit report for the fiscal year ended June 30, 2012, on the South Iowa Area Detention Service Agency.

The Agency had total receipts of \$913,852 during the year ended June 30, 2012 a 1.9 percent increase from the prior year. The receipts included \$525,655 for detention care fees, \$315,257 for DHS reimbursement, and \$40,379 in other reimbursements.

Disbursements for the year totaled \$802,921, a 12.8 percent decrease from the prior year, and included \$452,061 for salaries, \$161,826 for payroll taxes and benefits, and \$36,155 for insurance.

The significant decrease in disbursements is due primarily to less payroll and related expense due to low usage of the Lee County facility by member and non-member counties.

A copy of the audit report is available for review in the office of Auditor of State and the South Iowa Area Detention Service Agency. The report can also be accessed on the Auditor of State's web site at <http://auditor.iowa.gov/reports/index.html>.